

Tax Facts

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November Due Date for Unclaimed Property

The Uniform Unclaimed Property Act protects unclaimed property until it is returned to its rightful owner. The Department of Revenue provides a central location where people can search for their unclaimed funds. Most property is reported after three years.

Common types of unclaimed property reportable by businesses and due dates for reporting are:

After one year

- Uncashed payroll checks
- Utility deposits

After three years

- Inactive bank accounts
- Uncashed general checks
- Customer credits
- Insurance proceeds
- Stocks, bonds, and mutual funds

After five years

- Safe deposit box contents
- Patient safekeeping

Organizations must review their records yearly to determine if they hold any property that has been unclaimed for the required period of time. You must report and remit any qualifying property to the Department. Reports are due by November 1, 2006. Unclaimed property that is reported late is subject to interest from the due date until paid.

The Department conducts audits to verify businesses are complying with the Uniform Unclaimed Property Act. To learn more about reporting requirements, you can obtain reporting guides on our web site, request an onsite consultation visit, or attend one of our holder education workshops. You may also sign up for our holder e-mail service for reporting reminders and to receive updates on any law or reporting procedures changes.

We encourage electronic reporting. You can submit unclaimed property reports in the NAUPA format. Visit our web site at <http://ucp.dor.wa.gov> to download free reporting software, reporting instructions and forms. You may also e-mail us directly at ucp@dor.wa.gov, or call (360) 705-6706.

New Tax Exemption for Eligible Farmers

Beginning July 1, 2006, Substitute House Bill 2457 gave eligible farmers a sales and use tax exemption on replacement parts for qualified machinery and equipment. This exemption applies to replacements of existing parts on qualifying farm machinery and equipment.

Before claiming this exemption, eligible farmers must apply to the Department of Revenue for an Exemption Certificate for Replacement Parts for Farm Machinery and Equipment. This certificate is issued directly by the Department to a specific qualifying farmer. No other certificate or form may be used or accepted by vendors for the exemption.

An eligible farmer is someone who:

- Grows, raises, or produces agricultural products upon his/her own land or land that he/she has a present right of possession; and
- Generates at least \$10,000 in gross income from sales of such products in the calendar year immediately before applying for the exemption.

For more information, see our Special Notice "Replacement Parts for Farm Machinery and Equipment – Sales and Use Tax Exemption" and the Q&A section on replacement parts for farm equipment. Both are available on our Internet web site at: <http://dor.wa.gov>.

Penalties on Assessments and Billings Changed

The five percent assessment penalty previously added to all billings and assessments issued by the Department of Revenue now applies only in certain instances, due to legislation passed in 2006.

As of July 1, 2006, for any assessments issued on or after July 1, 2006, the five percent assessment penalty only applies to billings or assessments where the tax due was substantially underpaid. "Substantially underpaid" means:

1. Less than 80 percent of the actual tax owed was paid, and
2. The underpayment was \$1,000 or more for the entire period covered by the Department's examination.

Examples of assessments or billings include:

- Tax assessments resulting from an audit,
- Notices of balance due issued because of underpayments or mistakes made on tax returns, and
- Tax assessments resulting from failing to file tax returns.

For more information on the modified penalties and to see examples, see the Q&A section on our web site. Look under Tax Topics, then click on "Relaxed penalties, extended due date to reduce taxpayer burden."

Treaty Fisheries Exemption

You may already know that enrolled tribal members and tribes purchasing goods and retail services are exempt from sales tax when delivery of the goods or performance of the services are made within the jurisdiction of the buyer's tribe. (For more information, please consult WAC 458-20-192 or the Indian Tax Guide at <http://dor.wa.gov>).

In addition, tribes or tribal members are exempt from sales or use tax when they purchase goods and/or retail services (for example, boat and/or engine repair) for use in their treaty fishery operations. This exemption does not require delivery of the goods or performance of the services within Indian country. Such purchases can be made anywhere. An exempt sale may be documented through use of the Buyers' Retail Sales Tax Exemption Certificate and examination of proper documentation, such as a treaty fishery card.

Treaty fishing activities include harvesting, processing, transporting, or selling, and management and enforcement of treaty fisheries. Typical purchases related to treaty fishing include boats, nets, motors, related repairs, and special use clothing.

The Department of Revenue is currently meeting with tribal governments and organizations to learn more about treaty fishery operations and the types of purchases that are directly related to treaty fishing rights. We will make more information available soon to retailers through special mailings, web publications, and by updating the Indian Tax Guide.

If you have questions on the treaty fishery exemption, please call 1-800-647-7706.

Special Notices

We recently issued the following Special Notices. These notices discuss current issues as well as changes resulting from new legislation. They are available online by visiting <http://dor.wa.gov> and clicking on "Special Notices" under Quick Clicks. You may also call 1-800-647-7706 to have a copy sent to you.

Biotechnology Product & Medical Device Manufacturers – Tax Incentives – issued June 1, 2006.

Fruit and Vegetable Processors Tax Exemption – issued May 31, 2006.

Insurance Companies Tax Obligations – issued June 5, 2006.

Motion Picture Competitiveness Program Contributors – B&O Tax Credit – issued May 30, 2006.

Non-manufacturer Aerospace Tax Incentives – issued June 6, 2006.

Professional Employer Organizations – Deduction – issued June 2, 2006.

Seafood Processors Receive B&O Tax Exemption – issued May 26, 2006.

State Credit Unions – New Tax Exemption – issued June 6, 2006.

Truck Stop and Diesel Truck Owners – Tax Incentives – issued June 1, 2006.

Taxing Surcharges

Have you noticed a fuel surcharge on a recent invoice you've received? Perhaps you are considering adding a fuel surcharge to cover escalated transportation costs?

For excise tax purposes, a fuel surcharge added to an invoice is taxable in the same manner as the transaction to which it is added. Washington's B&O and sales taxes apply to "gross proceeds of sales" without any deductions for costs of property sold, costs of materials used, labor costs, delivery costs, any expenses paid, etc. (RCW 82.04.070).

Thus, the fuel surcharge is subject to B&O tax in the same manner as the sales transaction. Likewise, if a surcharge or additional fee is added to an invoice that is subject to sales tax, then sales tax applies to the surcharge.

Tax Workshops

Looking for a tax workshop in your area? Check out our web site! We offer workshops free of charge throughout the state. To view the updated schedule or for more information, visit our web site at <http://dor.wa.gov>, click on Doing Business, then select "Workshops" from the menu on the left side.

Once you find the workshop that's right for you, register online or call us to sign up.

Business Outreach

These workshops provide a basic overview of taxes that apply to various business activities in Washington. Check our web site for additional dates and times.

Bellingham

Date: 10/10/06

Time: 1 – 4 p.m.

Worksource Office, 101 Prospect St, Suite 10, Bellingham

– Register at <http://dor.wa.gov> or call (360) 738-6111

Bellevue

Date: 10/19/06

Time: 1 – 4 p.m.

Bellevue City Hall, 450 - 110th Ave NE, IE-113, Bellevue

– Register at <http://dor.wa.gov> or call (425) 489-1723

Lacey

Date: 10/19/06

Time: 9 a.m. – Noon

Department of Revenue, 4565 7th Ave SE, Suite 200

– Register at <http://dor.wa.gov> or call (360) 407-5002

Lakewood

Date: 10/11/06

Time: 1 – 4 p.m.

Lakewood Library, 6300 Wildaire Road SW, Lakewood

– Register at <http://dor.wa.gov> or call (253) 593-2722

Seattle

Date: 10/4/06

Time: 1 – 4 p.m.

Department of Revenue, 2101 4th Ave, Suite 1400, Seattle

– Register at <http://dor.wa.gov> or call (206) 956-3000

Free workshops throughout the state

Visit our web site for more information <http://dor.wa.gov>

Spokane

Date: 10/18/06

Time: 8:30 – 11:30 a.m. 1:30 – 4:30 p.m.

Labor & Industries, 901 N Monroe, 3rd flr, Spokane

– Register at <http://dor.wa.gov> or call (509) 327-0200

Vancouver

Date: 10/18/06

Time: 9 a.m. – Noon 1 – 4 p.m.

Department of Revenue, 8008 NE Fourth Plain Blvd,

Suite 340, Vancouver – Register at <http://dor.wa.gov>

or call (360) 260-6178

Wenatchee (East)

Date: 10/17/06

Time: 1:30 – 4:30 p.m.

Douglas County Fire District, 377 Eastmont Avenue,

East Wenatchee – Register at <http://dor.wa.gov>

or call (509) 663-9714

Construction

This workshop provides tax information specific to the construction industry, including: custom and speculative construction, government contracting, public road construction, and construction on Indian land.

Pasco

Date: 9/28/06

Time: 2 – 4 p.m.

Columbia Basin College, 2600 N 20th Ave, Pasco

– Register at <http://dor.wa.gov> or call 1-800-647-7706

Walla Walla

Date: 9/29/06

Time: 10 a.m. – Noon

Walla Walla Regional Airport, Walla Walla – Register

at <http://dor.wa.gov> or call 1-800-647-7706

Rule Making

The following excise tax rules were recently adopted or amended. For specific information on the rule changes, to obtain a copy of a newly adopted rule, or for more information regarding how these rules may affect you, contact us online at <http://dor.wa.gov> and click on Laws and Rules, then one of the bullets under "Rule Making." You may also call our Telephone Information Center at **1-800-647-7706**.

Excise tax rule (WAC) adopted or amended:

458-20-250 Solid waste collection tax. Effective June 26, 2006.

458-20-272 Tire fee. Core deposits or credits. Effective June 26, 2006.

Property tax rule (WAC) adopted or amended:

458-14 Boards of equalization. The entire chapter 458-14 WAC was amended to bring them into conformity with current law. Effective July 15, 2006.

Forest tax rule (WAC) adopted or amended:

458-40-660 Timber excise tax - Stumpage value tables - Stumpage value adjustments. Effective July 1, 2006.

Real estate excise tax rule (WAC) adopted or amended:

458-61A-207 Bankruptcy. Effective August 7, 2006.

Changes to interpretive/policy statements

The Department issues interpretive and policy statements, such as Excise Tax Advisories and Property Tax Advisories, to explain how tax applies to a specific set of facts or to address specific issues. These statements are issued or cancelled periodically based primarily on changes in the tax law. Statements that are cancelled can no longer be relied upon for tax application.

Excise tax advisories adopted:

2002.16.179 Low density light and power utility deduction (eighth revision). Effective June 19, 2006.

2016.04.111 Staffing companies (second revision). Effective July 6, 2006.

2024.04.182 Storing, inspecting, testing, and labeling of canned salmon (first revision). Effective May 26, 2006.

Visit our web site at
<http://dor.wa.gov>

Telephone Information Center
800-647-7706

On The Web Now pay state taxes with your VISA or MasterCard

VISA and MasterCard credit cards have been added to the list of electronic payment options available for electronic filers. You must file your tax returns online using our E-file system or participate in the BillPay program to take advantage of credit card payment choices. American Express and Discover are also available electronic payment options. You can also pay by electronic funds transfer and e-check.

In addition to adding the new VISA and MasterCard payment options, the convenience fee for processing credit card payments is now a simple flat rate of 2.5 percent (\$1 minimum) for all taxpayers. This flat fee replaces the old rolling scale which applied different rates for different cards and resulted in an average 3 percent fee for smaller businesses. The Department uses a third party provider to process electronic payments.



To inquire about the availability of this document in an alternate format for the visually impaired, please call **(360) 705-6715**.

Teletype (TTY) users please call **1-800-451-7985**.



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